



Nebraska Advantage Act Microenterprise Tax Credit

Fall 2013

revenue.nebraska.gov

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in conjunction with the oral presentation given by
Department training staff.*

It is not intended to be a stand-alone document.

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*Nebraska tax statutes, regulations,
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Microenterprise Agenda

- NE Advantage Microenterprise Tax Credit
- Requirements
- Definitions
- Application Process
- Claiming the Credit

Refundable Income Tax Credit to Individual Taxpayers Who Meet Certain Criteria:

- \$2 million available beginning in each calendar year from 2006 to 2015; and
- Total lifetime credits for any taxpayer, and any related party, are limited to \$10,000.

The Tax Credit

- Credit is 20% of the increase in qualified new investment, employment, or both.
- No fees or costs to apply.
- No minimum investment.
- Two tax years to earn the credit.

The Requirements

- Applicant is actively engaged in the operation of a microbusiness (5 or fewer FTEs).
- Microbusiness is located in an eligible area.
- Microbusiness makes new investment or new employment.
- Most types of business activity qualify.
- The income of the applicant and microbusiness must be subject to income tax, including flow-through entities.
- Microbusiness must [E-Verify](#) new employees.

Nonprofit organizations do not qualify.

Definitions

- Microbusiness
- Qualified Business Activity
- Applicant
- Actively Engaged
- Eligible Area
- New Employment
- New Investment

Microbusiness

- Any for-profit business employing 5 or fewer full-time equivalent (FTE) employees at the time of application.
- Hours paid in the pay period that includes the application date determines the number of FTEs.

Example: “Snapshot” at time of application.

Microbusiness

- Hours paid include regular, overtime, vacation, and holiday hours.
- Salaried employees are counted at 40 hours per week.
- Overtime hours are treated as straight hours.
- Hours paid do not include bonuses or severance pay.

Qualified Business Activity

All types of business activity qualify.

- Farm or livestock operations only qualify if the owner's net worth is $< \$350,000$ based on fair market value, including holdings of spouse or dependents; or
- The operation involves
 - Processing of ag products (not drying your own grain);
 - Aquaculture;
 - Ag tourism; or
 - Production of fruits, herbs, trees, vegetables, tree nuts, dried fruits, organic crops, or nursery crops.

Applicant

- Must be an individual person (cannot be the business).
- Includes owners, managers, partners, members, or shareholders.
- Does not have to be a Nebraska resident.

Actively Engaged

- Requires personal involvement on a continuous basis in the daily management and operation of the business.

Example:

- The owner/manager qualifies.
- A silent partner or board member who is not actively engaged does not qualify.

Eligible Area

For applications filed after
January 1, 2013...

all Nebraska counties are eligible areas,
except census tracts 9549 & 9550 in
Cheyenne county
and
certain tracts in Washington County.

New Employment

- An increase in total employee compensation, for example:
 - Give current employees a raise;
 - Pay employees for more hours;
 - Hire more employees; or
 - Increase the employer's costs for employees' health insurance.
- Compensation also includes payment in trade.
- Employee compensation does not include compensation paid to any employee in excess of 150% of Nebraska average weekly [wage](#).
- Employees must be residents of Nebraska.

New Investment

- Microbusiness increases purchases of buildings and depreciable personal property;
 - Motor vehicles do not qualify.
- Repairs and maintenance of depreciable assets; or
- Advertising, legal, and professional services.

New Investment

- Leases of depreciable real or personal property; and
- New lease is required.

$$\begin{array}{c} \text{Increase in average annual rent} \\ \times \\ \text{Number of years (max of 10 years)} \end{array}$$

Lease Calculation Worksheet

A	B	C	D	E	F
Leased Property**	Annual Lease Costs (Old Lease)	Annual Lease Costs (New Lease)	Increase (Col. C - Col. B)	Term of New Lease	Net Lease Increase (Col. D X Col. E)
Total Net Lease Increase					
**The value for a lease with increasing annual rental payments is the average annual payments.					

Example:

- My old lease was an annual lease with \$750/mo lease payments.
- My new lease has a 60-month (5 year) term at \$1,000/mo lease payments.
- Using the Lease Calculation Worksheet, my lease increase over the life of the new lease is \$15,000.

Completed Lease Worksheet

A	B	C	D	E	F
Leased Property**	Annual Lease Costs (Old Lease)	Annual Lease Costs (New Lease)	Increase (Col. C - Col. B)	Term of New Lease	Net Lease Increase (Col. D X Col. E)
	\$9,000	\$12,000	\$3,000	5 years	\$15,000
Total Net Lease Increase					\$15,000

**The value for a lease with increasing annual rental payments is the average annual payments.

- [Applications](#) for the 2014 calendar year will be accepted starting November 1, 2013.
- Estimate the increase in investment and/or employee compensation.
- Filing a completed application establishes the base year.
- Check the [Authorization Table](#) online for availability of funds.

Part 1 Must Include:

- Copy of the most recent federal income tax return for the applicant and the microbusiness including –
 - Copies of the first 4 pages of the return, and any supporting schedules
 - Schedules C & F
 - Schedule K-1 for each shareholder or partner
 - Affiliations Schedule (Form 851)
 - Depreciation and Amortization Schedule (Form 4562)

Part 1



Nebraska Advantage Microenterprise Tax Credit Act Application

The taxpayer filling this application must be actively engaged in the operation of a microbusiness in an eligible area. An eligible microbusiness is a business with five or fewer full-time equivalent employees at the time of application, other than a farmer or livestock operator who has a net worth that exceeds \$350,000. Refer to the qualified location information at www.revenue.ne.gov to determine if the microbusiness is located in an eligible area.

PART 1

Complete the following information about the taxpayer and the microbusiness in which it is involved.

APPLICANT – NAME AND MAILING ADDRESS				MICROBUSINESS – NAME AND LOCATION ADDRESS			
(PRINT CLEARLY)	Legal Name			Microbusiness Name			
	Mailing Address			Street Address (Do not use P.O. Box)			
	City	State	Zip Code	City	State	Zip Code	
				County	Census Tract if in Lancaster or Washington County		
Social Security Number				Spouse's Social Security Number			

1A Employee Verification

- a Will the microbusiness have any employees? ☐ YES ☐ NO
 i) If the answer is YES, complete all employee verification questions.
 ii) If the answer is NO, continue with question 1B.
- b Is the taxpayer registered for E-Verify, the federal electronic verification program used to confirm whether new employees are authorized to work in the United States? ☐ YES ☐ NO
- c Do you agree to use E-Verify for employees hired in Nebraska after the date of application? ☐ YES ☐ NO
- d If the answer to either question 1A(b) or 1A(c) is NO, do not complete the rest of the application because you are not eligible to apply for this Nebraska tax incentive program.
- e Print out the "Company Information" from the E-Verify program and include it as an attachment. Account ID#: _____

1B Describe your business activity including products sold and markets served.

Part 1

1B Describe your business activity including products sold and markets served.

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1C Explain how you plan to expand your business and how this expansion will address current market needs. Be as specific as you can about when you plan to expand, what purchases you intend to make, and/or how you will increase employee compensation.

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2 The microenterprise tax credit has a \$10,000 lifetime limit for the applicant and any related person.

Has a Nebraska Advantage Microenterprise Tax Credit Act application been filed by you, your spouse, parent, sibling, child, or a related party?.....

☐ YES

☐ NO

If Yes, please identify: Name

Name

Name

Name

Social Security Number

Social Security Number

Social Security Number

Social Security Number

2A What was the amount of microenterprise tax credit authorized or requested by prior applications?.....

2A

2B Enter the remaining possible microenterprise tax credit. (\$10,000 minus line 2A)

2B

Part 1

Nebraska Advantage Microenterprise Tax Credit Act Application

Page 2

Applicant's Name	Social Security Number
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3A Estimated expenditures and microenterprise tax credits. If a related person (see question 2 response) has applied, the base year figures and the estimated growth of the microbusiness must be shared (see application guide) and reflected in question 3A response.

(NOTE: The gray boxes on this table are not filled in.)

	COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F	COLUMN G
	Base Year	Year 1	Year 1	Year 2	Year 2	Total Increase	Estimated Credit
	Tax Year Prior to Application	Year of Application	Increase (Column B-A)	Year After Application	Increase (Column D-A)	Column C + E	20% of Column F
Tax Year Ending Date							
a Depreciable Asset Purchases							
b Repairs and Maintenance							
c Advertising							
d Legal Professional Fees							
e Net Lease Increase							
f New Investment (a + b + c + d + e)							
g Compensation							
h Employer Health Insurance Contribution							
i New Compensation (g + h)							

3B Total Estimated Credit. (Total of lines f and i)	3B	
3C Enter the lesser of the remaining possible credit on line 2B or the credit estimated on line 3B	3C	

4 How are you involved in the day to day activity of the microbusiness? Explain the involvement, the frequency, and the significance to the microbusiness operation.

- File **Form 3800N** with Form 1040N and include:
 - A copy of Part 2 of the application signed by the Department;
 - A properly completed Part 3 of the application; and
 - Supporting documentation.

Part 2

Nebraska Advantage Microenterprise Tax Credit Act Application

Page 3

Applicant's Name

Social Security Number

PART 2 — FOR DEPARTMENT OF REVENUE USE ONLY

DEPARTMENT OF REVENUE USE ONLY

Total Credits Reserved



Department of Revenue Authorized Signature

Date

Part 3

PART 3				
1 Enter the amount of total microenterprise tax credits reserved in Part 2	1			
2 Enter microenterprise tax credit in prior year	2			
3 Remaining reserved microenterprise tax credit (line 1 minus line 2)	3			
4 Calculation of microenterprise tax credit (NOTE: The gray boxes on this table are not filled in.)				
	Column A	Column B	Column C	Column D
	Base Year (Tax Year Prior to Application)	Current Tax Year	Increase Over Base Year	Credit (20% of Col. C)
Tax Year Ending Date				
a Depreciable Asset Purchases				
b Repairs and Maintenance				
c Advertising				
d Legal Professional Fees				
e Net Lease Increase				
f New Investment (a + b + c + d + e)				
g Compensation				
h Employer Health Insurance Contribution				
i New Compensation (g + h)				
4 Total Credit (Total of lines f and i)			4	
5 Enter the lesser of line 3 or line 4.....			5	
<p>6 Attach a copy of the following documents.</p> <p>Base year and current year:</p> <ul style="list-style-type: none"> Nebraska Reconciliation of Income Tax Withheld, Form W-3N, including a copy of the attached federal Wage and Tax Statements, Form W-2; Tax depreciation schedule; Year-end payroll register with year-to-date information, including total hours paid to hourly and salaried staff; Copy of lease agreements for any lease of qualified property; and Health insurance billings to show employer contribution. <p>Current Year:</p> <ul style="list-style-type: none"> Proof of E-Verify employment confirmation, see Part 3 of Microenterprise Application Guide; and Copies of invoices supporting purchases of depreciable assets, repairs and maintenance, advertising, legal and professional fees. <p>E-MAIL: If you allow the Department to contact you by e-mail, you accept any risk of loss of confidentiality associated with this method of communication.</p> <p>AUTHORIZED SIGNATURE. This application must be signed by the individual actively involved in the microbusiness, or an individual authorized to sign for the applicant by a power of attorney on file with the Department. Attach a copy of a completed power of attorney.</p>				
<div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> <p>sign here </p> <p>Signature _____</p> <p>Title _____</p> </div> <div style="width: 15%;"> <p>()</p> <p>Telephone Number _____</p> </div> <div style="width: 40%;"> <p>Please Print your Name _____</p> <p>E-mail Address _____</p> </div> </div>				



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**Let us know what you think.
Please turn in your evaluation!**

Thank you!